

March 1, 2006

EX PARTE SUBMISSION

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

Re: Ex Parte Contact in Federal-State Joint Board on Universal  
Service, CC Docket No. 96-45 and Developing a Unified Intercarrier  
Compensation Regime, CC Docket No. 01-92.

---

Dear Ms. Dortch:

Statements have been made recently to the Commission and elsewhere that mis-portray the impact on residential subscribers of a telephone numbers-based Universal Service Fund (USF) contribution methodology. These statements are at least short-sighted, and also do not accurately assess the vulnerability of the USF with continued funding through revenue-based assessments. The Ad Hoc Telecommunications Users Committee submits this ex parte to set the record straight.

On November 22, 2005, the Intercarrier Compensation Forum (ICF), a group that includes at&t, made an ex parte filing that explains ICF's support for replacing today's revenue-based USF assessment methodology with a system that instead would assess unique working telephone numbers and non-switched, high speed dedicated network connections. ICF's ex parte shows that whether the per number assessment is \$0.93 or \$0.98 the total monthly bill is lower for virtually all residential subscribers of all types of telecommunications service, except for cable modem service with VoIP, than under the current revenue-based funding model. That is true for rural and urban subscribers, and low volume as well as high volume subscribers. Derivation of the \$0.93 and \$0.98 assessments is shown in an ICF ex parte made on July 29, 2005 in CC Docket No. 96-45.

It is noteworthy that low income subscribers also would fare better under the proposed telephone numbers-based assessment methodologies than under



the current revenue-based assessment scheme. Low income subscribers who qualify for the Lifeline program would be exempt from USF payments under the telephone numbers-based methodologies presented to the FCC. Whether they make long distance calls or not, they would be exempt from paying interstate USF charges. On the other hand, these subscribers would continue to be assessed interstate USF charges for long distance calls under the current revenue-based assessment methodology. Thus, the USF burden of low income subscribers under the current revenue-based USF assessment scheme would be higher than it would be under a telephone numbers-based USF assessment scheme. When this fact is combined with the ICF data referenced above, it is very difficult to understand why consumer advocacy organizations urge retention of the revenues-based assessment methodology.

Although subscribers who make absolutely no long distance calls would pay higher USF charges under a numbers-based assessment methodology, the difference is much smaller than some suggest. Such subscribers still would be charged a USF contribution of \$0.61 per month on the interstate residential subscriber line charge of about \$6.00 per month ( $\$6.00 \times 10.2\%$ , the current revenue-based interstate USF assessment) if they do not qualify as Lifeline subscribers. No one has credibly asserted that such subscribers are low income people or that they could not afford 30¢ to 40¢ per month more to provide a sustainable source of funding for the USF. Again, Lifeline subscribers would completely avoid this charge.

Proponents of the current revenue-based USF assessment methodology also overlook the fact that the residential Subscriber Line Charge will almost certainly increase when the FCC reforms, as it must, inter-carrier compensation. If switched access charges then drop, as they will, and competition in the long distance market compels flow through the reduced access charges in the form of lower long distance charges, the only way to raise enough revenue for the USF under the current revenue-based assessment model would be to collect more money from assessments on Subscriber Line Charges, probably through a percentage surcharge set at perhaps almost unimaginable levels.

Moreover, funding for the USF grows more vulnerable with each passing month. Service providers are intent on marketing bundles of service and equipment. These bundles may, or may not, include equipment and non-telecommunications services, such a video programming and internet access service. No rational basis exists on which revenues from bundles of services and equipment can be allocated reasonably among service pools, only some of



which would be assessed USF contributions. The allocation problem would prove very difficult for residential subscribers because service bundles will vary among subscribers and will change constantly in response to market demands. The allocation problem would prove insoluble for bundles purchased by business consumers. In addition to a multiplicity of bundle configurations (which of course, can include equipment and non-telecommunications services, such as managed internet service, network management, and web hosting), rates for the same services will differ from customer to customer because the transactions are individually negotiated. Imposing USF contribution obligations on VoIP will not solve the USF funding problem that is inherent in bundled offerings. A telephone numbers-based assessment scheme would, however, work well in a bundled service environment.

In a recently released statement, the Keep USF Fair Coalition calls claims that the present funding mechanism can not be sustained a “hoax” and “phony,” but it is the Coalition’s filing that is misleading.”<sup>1</sup> Keep USF Fair Coalition states that the USF fee has been “stable,” by confining its hindsight to a very short period of time. The average USF Factor in 2005 (10.55%) was 20% higher than the average factor in 2004 (8.8%). The Coalition’s “stable” factor has doubled since the year 2000 when the average factor was 5.7%.<sup>2</sup>

Keep USF Fair Coalition also misleads with its statement that “consumers are making lower USF payments today than they were in 2002.” The FCC’s USF Factor ranged from 6.86% at the start of 2002 to 7.28% at the end. That same factor is 10.2% today. Consumers are, without a doubt, paying more, in fact 50% more, in FCC USF charges today than in 2002. In February 2002, the USF revenues collected on a \$6.00 SLC charge would have been \$0.41 – in February 2006, \$0.61 in USF revenues would be collected on that SLC. In order to make its statement Keep USF Fair Coalition must be including mark-ups that the long distance carriers added to the FCC’s surcharge – mark-ups that were absolutely unrelated to the USF mechanism whatsoever, and that the FCC has since disallowed.

Policy makers should not kid themselves. There is a serious, looming USF funding problem. Fortunately, a solution has been well-developed. The

---

<sup>1</sup> Keep USF Fair, <http://keepusffair.org/KeepUSFFair/report022706.html>, released February 27, 2006.

<sup>2</sup> Factors taken from Table 19.16 of the FCC’s “Trends in Telephone Service” released June 21, 2005.



only proposal that will make USF support sustainable and predictable, while at the same time not increasing the phone bills for consumers and protecting low income consumers, is to assess USF contributions on the basis of working telephone numbers.

Sincerely,

A handwritten signature in black ink, appearing to read 'James S. Blaszk', written over a horizontal line.

James S. Blaszk

Levine, Blaszk, Block & Boothby, LLP  
2001 L Street, NW, Suite 900  
Washington, D.C. 20036  
202-857-2550

Counsel for  
Ad Hoc Telecommunications  
Users Committee

cc: Chairman Kevin Martin  
Commissioner Michael Copps  
Commissioner Jonathan Adelstein  
Commissioner Deborah Taylor Tate  
Thomas Navin  
Daniel Gonzalez  
Narda Jones  
Ian Dillner  
Jessica Rosenworcel  
Scott Bergmann  
Aaron Goldberger